



"A creditor is worse than a master; for a master owns only your person — a creditor owns your dignity, and can belabour that."
— Les Miserables — Cosette, Book V, Chapter 2.
Victor Hugo, (1862)

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THE DANGERS OF "INSTANT CREDIT"

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About two years ago, as an essential part of the revolutionary plan for the "changing society," it was decreed by the money powers that ours should become a "check-less" society, that all cash should be done away with except for the sandwich coins necessary to operate slot machines, and that all buying would be accomplished with the computerized credit card. At the time this plan was initiated, the following press release appeared in metropolitan dailies:

"ROBOTS MAY REPLACE YOUR FRIENDLY BANK"

"San Francisco (AP)—The jingle of coins in your pocket, the crackle of new dollar bills, the friendly handshake of the branch bank manager, your very own personalized checks — forget all these things.

"For the banking industry is on the threshold of the 'checkless, cashless society' in which there'll also be no branch banks.

"That's what the American Bankers Association has been hearing from various speakers this week in San Francisco . . ."

One of those speakers was George W. Mitchell, a member of the Federal Reserve Board. "It's coming very fast," said Mitchell. "By the early 1970's, the system might be set up. When people find out it's easier and more convenient to do business this way, they'll take to the change."

It should be emphasized that the Federal Reserve Money Barons were all for the plan; the Big Business Tycoons were all for the plan (especially those who were in the business of making and selling computers). But your neighborhood banker was not for the plan, because it would put him out of business and make of the banking industry a controlled monopoly.

And how has the "changeless plan for the changing society" been working out? We have at hand a rather comprehensive progress report. Credit is due Hugh McDonald of the Detroit News Washington Bureau for having prepared the report, and to his newspaper for having made it a front page feature story. The following, then, is from the November 4, 1969, edition of the Detroit News.

WHETHER YOU WANT THEM OR NOT: CREDIT CARDS — OUR 'FUNNY MONEY'

WASHINGTON — Last Thursday Anthony Benitez received a credit card in the mail at his Miami home. With it he could fly to Europe, fill his clothes closet or dine at his favorite gourmet restaurant. Anthony is five years old.

In Perth Amboy, N.J., a bank credit card mailed to Harold C. Young, a newspaperman and father of six, was instead opened by his elderly father, who charged \$698 with it. His father is an alcoholic, and Young, who neither asked for nor wanted the card, is responsible for the debt.

In San Francisco, Mrs. Lucille Vitorelo received a bill for \$369.78 from a department store. A credit card in her name, sent without her knowledge or request, was apparently stolen in the mail. The store threatened to sue her for the unpaid bill, her credit rating was damaged and she had to pay a lawyer \$175 to prove she was innocent.

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Will credit cards cause a moneyless society leading to the mark of the beast? Or world currency?

On the black market in New York and other large cities, middlemen will pay \$50 for a stolen credit card, which they sell to a distributor for \$100, who in turn sells it to a user for \$100 to \$400.

Ironically, banks, which previously dismissed the credit card business as too risky are now among its biggest boosters. Since 1966, a total of 699 banks have begun issuing "master credit" cards, and consumers are charging a total of \$2 billion annually with them. The Bank of America's Americard and Inter-Bankard are the most popular. The Bank of the Commonwealth and Michigan Bank are the two principal Detroit area banks issuing credit cards.

"My mail from constituents indicates the problem of unsolicited cards is a matter of serious concern," said Rep. William T. Ford, Taylor Democrat. For example, he said, one man from Lincoln Park wrote that he was "even afraid to send the unwanted cards back," for fear of them being stolen. Another man from Inkster, was "outraged" because Mobil Oil Co. had sent him unsolicited cards. "What if my kids get their hands on them?"

Incredibly, the Federal Reserve Board, which is desperately trying to curb inflation, is opposed to any legislation restricting bank credit card mailings, despite their obvious inflationary tendencies. "We have generally taken the position that what is good for the bank is good for the economy," said a spokesman for the board.

William McChesney Martin, chairman, testified at a House subcommittee hearing on a bill to prohibit all unsolicited credit card mailings that "banks have found that the most effective way to develop customers is to mail a large number of unsolicited cards."

Andrew F. Brimmer, a member of the board, added: "There appears to be no reason to change the board's position . . . we do not see any necessity for legislation to limit or control bank credit cards."

"The easy availability of credit cards has created a boom which can boomerang," said Robert C. Meade, special assistant to the President on consumer affairs. "They have spawned an appalling new scope of fraudulent activities, have added immeasurably

However gradual may be the growth of confidence, that of credit requires still more time to arrive at maturity.

— Disraeli, Speech Nov. 9, 1867.

to inflation and caused untold anguish and inconvenience to citizens."

Until about five years ago, credit cards were virtually the private preserve of such firms as American Express and the Diners Club, which generally issued them only upon request and always after a thorough credit check. Recently, however, led by banks, department stores and oil companies, the use of credit cards has jumped enormously. This year more than 200 million cards, most of them unsolicited and many used indiscriminately without prior credit checks, are now in circulation.

"Many companies now consider this 'funny money' gimmick an untapped gold mine, and they are rushing headlong to get into it," said Thomas Kennedy, staff director for the House Postal Operations Subcommittee. "Americans are hellishly honest, and about 95 per cent of them do pay for what they charge. But the losses for unpaid accounts and from fraudulent use of the cards are ultimately passed on to all consumers, in high prices for credit services and cost of goods."

In addition, he said, consumers pay an average of 18 per cent per year for credit card debt.

Fraudulent use of the cards has soared 700 per cent in the last three years, mostly from organized crime.

"To suggest that credit card usage is not inflationary is ridiculous," said Rep. Wright Patman, Texas Democrat and chairman of the House Banking and Currency Committee.

"For every \$100 a customer charges with a credit card, the bank collects \$18 from the customer in interest per year and \$5 from the merchant. For the banks' \$2 billion annual business through credit cards, that's \$460 million profit. And if that's not contributing to inflation, I'll eat my hat."

Democratic Rep. James M. Hanley, of Virginia, whose bill to regulate unsolicited credit cards is pending in committee, said, "It is patently clear that these cards are a major factor in the alarming growth of personal bankruptcies in the country. The number of personal bankruptcies has jumped in 10 years from 91,668 to 197,811 last year," he said. "Many bankruptcy referees have testified that almost without exception . . . unsolicited cards have been a principal reason for bankruptcy. Most of the individuals were already seriously over-extended in consumer credit, and receiving this card in the mail was like a gift from Santa Claus."

Hanley said his committee has found that . . . the proliferation of unsolicited credit cards is "leading us in an alarming new direction which is both unwise and seriously injurious to our economy and an unwitting public." (End of article).

18 per cent interest per year from the customer, plus 5 per cent from the merchant; adds up to much higher prices to the consumer. And the consumer ultimately must pay also for the fraudulent use of credit cards, for the losses as a result of bankruptcies brought on by the "instant credit" feature which is a part of every card. And — if and when the system is installed com-

(Continued on Page 4, Column 2)